United States Court of Appeals

for the Second Circuit

APPELLANT'S REPLY BRIEF

No. 76-7378

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In the

United States Court of Appeals

For the Second Circuit

P/S

KASTAR, INC., *Plaintiff-Appellee,* vs. K MART ENTERPRISES, INC., *Defendant-Appellant.*	Appeal from the United States District Court for the Eastern District of New York. — Honorable Orrin G. Judd, Judge Presiding.

REPLY BRIEF FOR APPELLANT

RICHARD E. ALEXANDER,
ALLEN L. GREENBERG,
RICHARD E. ALEXANDER, LTD.,
33 North Dearborn Street,
Chicago, Illinois 60602,
(312) 726-7800,
Attorneys for Defendant-Appellant

Of Counsel:
COWAN, LIEBOWITZ &
LATMAN, P.C.,
200 East 42nd Street,
New York, New York 10017.

Gunthorp-Warren Printing Company, Chicago • Financial 6-6565

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REPLY BRIEF FOR APPELLANT.

I.

INTRODUCTION.

Kastar presents eight issues for review. Issues 1, 2, 3, 4, 5 and 7 relate to appealability and jurisdiction. They raise arguments identical to those raised before this Court previously by Kastar and denied by this Court on September 14, 1976. (App. p. 185)[1]

Therefore, K Mart will respond to the two other issues raised by Kastar.

1. The merit inherent in these arguments is, perhaps, best quantified by the fact that this Court denied Kastar's Motion to Dismiss this appeal (App. p. 182) from the bench, at the close of Kastar's argument and prior to any responsive argument by K Mart.

II.

K MART IS ENTITLED TO DISCOVERY AND A HEARING ON THE ISSUE OF ATTORNEY'S FEES.

Contrary to the thrust of Kastar's argument, K Mart has not suggested that attorney's fees are to be awarded as a matter of course to a prevailing litigant. Neither has K Mart argued the position that attorney's fees are intended to be the "terms and conditions" of F. R. C. P. Rule 41(a)(2). (See Sec. IV of Kastar's Argument, p. 29, Brief for Plaintiff-Appellee). K Mart contends only that the District Court abused its discretion in foreclosing further discovery and denying an opportunity for an evidentiary hearing.

K Mart was sued by a party:

i) who commenced suit after K Mart stopped buying its product and found an alternative source of supply (App. p. 10);

ii) who refused to produce deponents noticed for depositions by K Mart for more than six months;

iii) who waited seven months after a violation of 35 U. S. C. 102(b)[2] became absolutely manifest (App. pp. 53-55) before dedicating its patent to the public (App. p. 42);

iv) whose employee-inventor was found to have been "reasonably negligent" (App. p. 112);

v) who now says that:

> The decision to dedicate the patent to the public was strictly a "business decision" . . . (Brief for Plaintiff-Appellee, p. 33), and

vi) who was only too happy to "offer" to dismiss its baseless unfair competition count before further discovery.

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2. The violation was shown after less than only five hours of frequently interrupted depositions. This was all the discovery K Mart ever got.

That party was represented by attorneys:

1) who, although they had received three sheets of drawings for the wirestripper in suit more than two years prior to the filing date of the patent application which matured into the patent in suit (App. p. 67), were found to have had no awareness of the critical date by which the application had to be filed (App. p. 112), and

2) who were found to have been "reasonably negligent" on two different occasions (App. p. 112-113) on the basis of only very limited evidence.

K Mart smelled the smoke that usually accompanies the fires of fraud and bad faith. It noticed five additional depositions (App. p. 27) to confirm the existence of flames and, after being put through the costs of twenty-one months of litigation, argued to no avail as Kastar was permitted to dismiss its patent suit with prejudice and retreat unscathed.

Kastar's brief focuses on the basic policy involved in the decisions in the case of *Larchmont Engineering, Inc.* v. *Toggenburg Ski Center, Inc.*, 444 F. 2d 490 (2nd Cir., 1971) and *W. L. Gore & Associates, Inc.* v. *Oak Materials Group, Inc.*, ... F. Supp. ..... (D. Del., November 16, 1976).

K Mart agrees completely with this basic policy which may be stated as the desirability of courts dismissing cases to prevent protracted litigation which has been discovered to be baseless or otherwise without merit during the course of the litigation.

However, K Mart contends that there is or should be an even stronger basic policy to discourage plaintiffs from filing suits which should have been known to have been baseless prior to their filing. Particularly is that the case as here where Kastar not only brought a patent claim regarding a patent which it could have ascertained was invalid, but also brought an unfair competition count which was equally baseless and which was offered to be withdrawn at Kastar's whim.

Only by awarding attorney's fees against plaintiffs who do not do their homework, who do not do their investigating and who even may have concealed certain facts in bringing a baseless lawsuit, can the Court discourage a very large portion of the litigation which it so tediously has to carry through the exhaustive discovery stage.

In other words, the basic question which K Mart raises is whether a Plaintiff should be permitted to abuse the time and effort of the Court and a Defendant by requiring that Defendant, through discovery, to ascertain what the Plaintiff *should well have discovered* or did discover by the mere inspection of its own files prior to bringing suit.

Affirmation of the District Court's curtailment of K Mart's discovery into the depth of the abuses involved in filing a patent infringement suit in regard to an invalid patent combined with a baseless unfair competition count, will encourage clogging of the Court's calendar with suits that should have never been filed. It will condone and foster extensive discovery, motions and proceedings directed only to a showing of what the Plaintiff should have known and investigated before he brought suit. After all, *Larchmont* did not cause this Plaintiff to refrain.

K Mart contends that a policy compelling a Plaintiff to exercise more care and to examine its own conscience prior to the filing of a lawsuit, will more significantly reduce the work load of the District Courts than permitting Plaintiffs to sneak away once the light of discovery is brought to bear. In the case at bar, this Court should not apply a policy permitting a Plaintiff to take an *easy out* once the Defendant has discovered what should have been known to the Plaintiff prior to bringing the suit.

After less than five hours of depositions and without an evidentiary hearing, the District Court allowed Kastar to dismiss its patent infringement count and its claim of unfair competition. In so doing, it granted *summary judgment* against K Mart's

counterclaim. These actions denied K Mart the discovery and hearing to which it was entitled and constituted an abuse of discretion.

III.

CONCLUSION.

K Mart respectfully requests that this case be remanded for additional discovery and a full hearing on the issues raised by its Counterclaim.

Respectfully submitted,

RICHARD E. ALEXANDER,
ALLEN L. GREENBERG,
RICHARD E. ALEXANDER, LTD.,
33 North Dearborn Street,
Chicago, Illinois 60602,
(312) 726-7800,
Attorneys for Defendant-Appellant.

Of Counsel:
COWAN, LIEBOWITZ &
LATMAN, P.C.,
200 East 42nd Street,
New York, New York 10017.

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